

**THE GOVERNMENT OF
THE UNITED REPUBLIC OF TANZANIA**



MINISTRY OF FINANCE

PUBLIC DEBT REPORT

**QUARTERLY PUBLIC DEBT REPORT FOR
JANUARY - MARCH 2003**

KEY DEVELOPMENTS

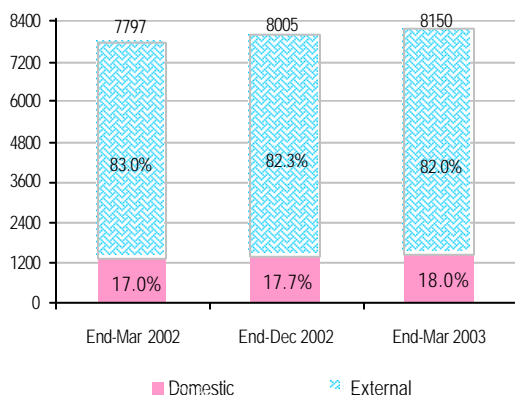
- Under the HIPC initiative, France and Netherlands cancel 100% of debt, and negotiations with India for cancellation of bilateral and government guaranteed debt in progress.
- Savings on foreign debt service continue to boost government resources.
- Yields for Treasury bills and Treasury bonds rise above the prevailing inflation rate.

DEBT REPORT

PUBLIC DEBT STOCK RISES DESPITE DEBT CANCELLATION

Figure 1 below shows that the total public debt stock increased by 1.8% or TShs 144.7bn to TShs 8,149.7bn at end-March 2003 from TShs 8,005.0bn at end-December 2002; the increase was primarily due to a rise in the total public domestic debt stock. On a year-to-year basis (March 2002 – March 2003), the total debt stock increased by 4.5% or TShs 352.4bn. In dollar terms, the total public debt stock fell by 3.5% or USD 288.5mn to USD 7,910.8mn at end-March 2003 from USD 8,199.3mn at end-December 2002. The fall of the total public debt stock in dollar terms is attributable to the 0.4% decrease in the share of external debt in the total debt stock. As a percent of GDP, total debt stood at 86.4% as of March 31st 2003, down from 90.2% on December 31st 2002 and from 92.3% on March 31st 2002.

Figure 1: Debt Stock Movements (TShs bn)



TOTAL PUBLIC DOMESTIC DEBT STOCK RISES DUE TO LIQUIDITY MANAGEMENT

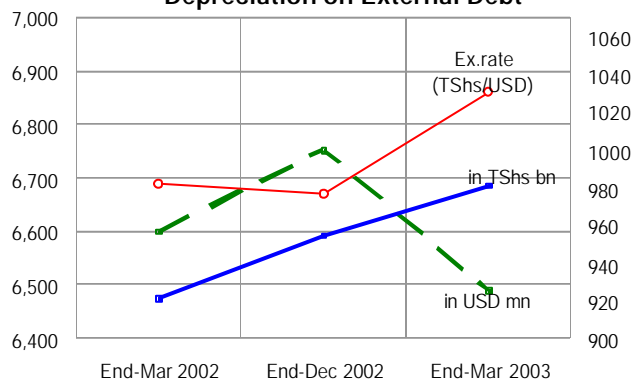
Total public domestic debt stock reached TShs 1,465.7bn at end-March 2003, up 3.7% on the quarter and 10.7% from year-ago levels. Growth was concentrated on Bank of Tanzania (BOT) liquidity paper, which increased by 21.5% or TShs 244.9bn in BOT liquidity paper, and which account for 20% of domestic debt stock. However, BOT liquidity papers are non-budgetary debt obligations. Indeed, central; government securities outstanding declined by 0.1% or TShs 0.4bn on a quarter-on-

quarter basis indicating that no new debt occurred during the quarter under review.

TOTAL PUBLIC EXTERNAL DEBT STOCK RISES DUE TO CURRENCY DEPRECIATION

Total public external debt stock stood at TShs 6,684.0bn at the end of March 2003, up 1.4% on the previous quarter and up 3.2% on a year-over-year basis. All of the increase was a reflection of the 5.5% and 5.0% depreciation of the shilling in the quarter and year under review, respectively (See figure 2). Indeed, total public external debt stood at USD 6,488.4mn on March 31st 2003, down 3.9% from end-December 2002 and down 1.6% from a year ago. The decrease can be explained by the substantive disbursement of HIPC relief by IDA and ADB/F. The fact that in TShs terms the foreign debt increased is a manifestation of the true exchange rate risk, which is the reason why the government is hesitant to go with foreign debt.

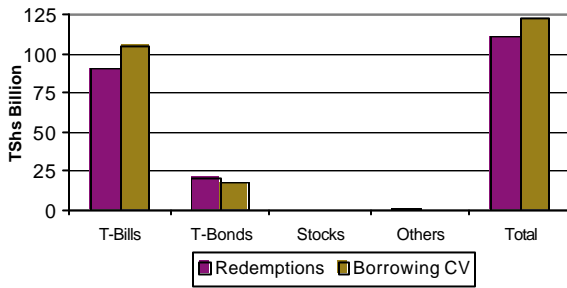
Figure 2: The Impact of Currency Depreciation on External Debt



DOMESTIC BORROWING LOWER THAN EXPECTED

For the quarter ending March 2003, actual domestic borrowing (TShs 129.8bn) was below the budget estimate (TShs 158.7bn) by 18.9% or TShs 28.9bn. In contrast, actual domestic repayments (TShs 111.5bn) were below budget estimates (TShs 119.3bn) by 6.5% or TShs 7.8bn for the same quarter. Overall, there was a net borrowing of TShs 18.3bn in the quarter ending March 2003. In comparison, there were net borrowings of TShs 24.2bn and TShs 1.5bn in the quarters ending December 2002 and March 2002, respectively. Figure 3 depicts domestic borrowing against repayments for the period under review.

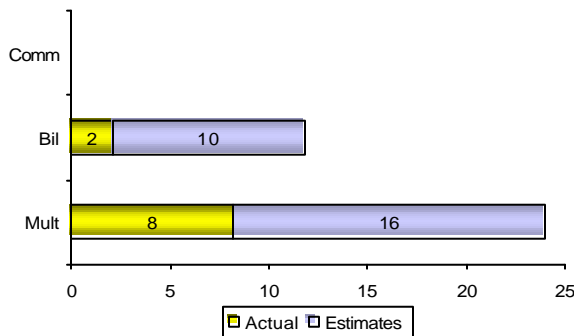
Figure 3: Domestic Borrowing vs Repayments, January - March 2003



SAVINGS ON EXTERNAL DEBT SERVICE GROW

During the quarter under review, there was net external borrowing of TShs 91.5bn as compared to net external borrowing of TShs 14.0bn and TShs 67.6bn in the quarters ending December 2002 and March 2003, respectively. Further, as figure 4 shows, actual external debt service was TShs 10.6bn during the quarter ending March 2003, being TShs 15.5bn or 59.5% below estimates. The substantive fall in repayment was mainly on account of debt relief from bilateral and multilateral institutions. Actual external borrowing was TShs 102.1bn, which was TShs 17.0bn or 19.9% more than estimates of TShs 85.1bn.

Figure 4: External Debt Service, January to March 2003 (TShs Bn)



*Key:- Comm – Commercial, Bil – Bilateral, Mult - Multilateral

DEBT POLICY IMPLEMENTATION SUMMARY

PROGRESS MADE ON HIPC INITIATIVE

According to the Paris Club VII agreement, France and Netherlands cancelled their debt in February and March 2003, respectively; while Germany is expected to conclude its bilateral agreement in April 2003. Negotiations with Brazil, Japan and Russia are still on-going. Of the non-Paris Club creditors, Kuwait has signed an agreement to effect debt relief under the HIPC framework.

DEBT SUSTAINABILITY STILL A CHALLENGE

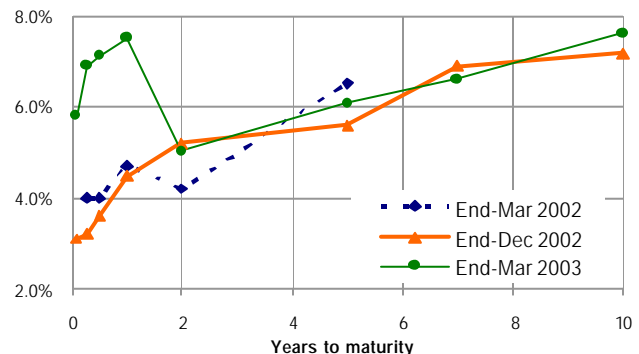
Total public debt to GDP fell by 4.2% mainly because GDP grew by 6.3% compared to the 1.8%

growth of the total public debt stock. However, the PV (present value) of total public debt stock to GDP increased by 25.7% to 64.5% at end-March 2003 from 51.3% at end-December 2002 primarily because of increased interest payments arising from new loans. This underscores the importance of assessing debt sustainability in PV terms as well as justifying the government’s emphasis on receiving new aid either in the form of grants or highly concessional loans. The PV of public external debt to exports also increased, by 0.4% to 244.2% at end-March 2003. The marginal increase was attributable to a 29.7% increase in exports relative to a 30.6% increase in the PV of external debt during the quarter under review. Nonetheless, annualized public debt service to domestic revenues fell by 45.3% to 11.8% at end March, 2003 from 21.7% at end-December 2002 mainly on account of retained debt service due to debt relief.

YIELDS FOR SHORT TERM SECURITIES RISE

According to figure 5, the yield curve was inverted in the short end of the market for government securities with one year or less to maturity, but was reasonably smooth over the 2 to 10 year maturity band, for the period under review. This suggests that investors preferred to invest their money in short-term government securities. The rising yields at the low end of the market are a positive development in view of the fact that the prevailing inflation rate was 4.2%.

Figure 5: Yield Curve for Government Securities



LEGAL FRAMEWORK STRENGTHENED

The Amendment Bill for the Government Loans, Guarantees and Grants (Amendment) Act of 1974 is expected to be tabled in Parliament on April 3, 2003. This marks an important milestone in the implementation of the National Debt Strategy (2002). The preparation of the regulations is expected to be completed before the end of June 2003.

NOTES TO ATTACHED TABLES

Tables 1-5 attached with this report contain detailed data on public domestic and external debt stocks and flows. Stocks and flows are reported as at end-March 2003. Tables 6 and 7 summarize the status of negotiations with Paris Club and Non-Paris Club creditors.

TABLE 1:

	quarter ending	quarter ending	quarter ending	% Changes	
	Mar-2002	Dec-2002	Mar-2003	Mar-02 to Mar-03	Dec-02 to Mar-03
Total Public Debt Stock (TZS bn)					
Total	7,797.3	8,005.0	8,149.7	4.5%	1.8%
Central government	6,633.9	7,081.4	7,155.2	7.9%	1.0%
Other public sector	1,163.5	923.6	994.5	-14.5%	7.7%
Domestic	1,323.6	1,413.7	1,465.7	10.7%	3.7%
Central government securities	786.7	823.5	823.1	4.6%	-0.1%
Other public sector	536.9	590.2	642.6	19.7%	8.9%
External	6,473.7	6,591.3	6,684.0	3.2%	1.4%
Central government	5,847.2	6,257.9	6,332.1	8.3%	1.2%
Other public sector	626.6	333.4	351.9	-43.8%	5.5%
Maturing in: 1/	6,619.4	7,216.4	7,568.6	14.3%	4.9%
1 year or less	101.5	494.6	265.6	161.6%	-46.3%
2	366.6	254.9	469.1	27.9%	84.0%
3-5	698.0	270.8	287.3	-58.8%	6.1%
6-10	1,131.8	1,289.4	1,368.5	20.9%	6.1%
10+	4,321.4	4,906.7	5,178.2	19.8%	5.5%
PV of public debt	3,643.4	4,554.8	6,085.1	25.0%	33.6%
Domestic		1,026.0	1,221.1		19.0%
External	3,643.4	3,528.8	4,864.0	33.5%	37.8%
Domestic debt/ total debt	17.0%	17.7%	18.0%	5.9%	1.8%
External debt/ total debt	83.0%	82.3%	82.0%	-1.2%	-0.4%
Total public debt/ GDP	92.3%	90.2%	86.4%	-6.4%	-4.2%
Total public debt/ domestic revenues	774.2%	708.8%	690.3%	-10.8%	-2.6%
National external debt/ exports	484.7%	488.7%	364.6%	-24.8%	-25.4%
PV of public debt/GDP	43.1%	51.3%	64.5%		25.7%
PV of public external debt/ exports	261.7%	245.0%	244.2%	-6.7%	-0.3%
Annualised public debt service/ domestic revenues	11.4%	21.7%	11.8%	4.3%	-45.3%
Debt interest	1.9%	1.5%	2.0%	2.5%	36.2%
Redemptions	9.4%	20.2%	9.8%	4.6%	-51.3%
Real GDP growth rate (for year-ending)	5.6%	5.6%	6.2%	9.7%	10.7%
Inflation rate (for year-ending)	4.7%	4.4%	4.2%	-10.6%	-4.5%
Exchange rate depreciation (for year-ending)	14.1%	10.0%	10.0%	-29.0%	0.0%
Weighted average interest rate on total debt 4/	8.8%	5.2%	5.5%	-38.0%	4.4%
on domestic debt 2/	2.2%	2.5%	3.2%	46.4%	27.0%
on external debt 3/	10.1%	5.8%	6.0%	-41.3%	2.5%
<i>Memo items (TZS bn)</i>					
GDP at current market prices	8,445.4	8,877.3	9,434.4	11.7%	6.3%
Total domestic revenues (for year-ending)	1,007.1	1,129.4	1,180.7	17.2%	4.5%
End-period exchange rate (TZS/USD)	981.3	976.3	1,030.2	5.0%	5.5%

	actual	budget estimates	actual/budget	quarter ending	quarter ending	quarter ending	Dec-02 to Mar-03
	Mar-2003	Mar-2003	Mar-2003	Mar-2003	Dec-2002	Mar-2003	% change
Total Public Debt Flows (TZS bn)							
Debt service (actual)	139.7	161.0	-13.2%	114.3	244.5	139.7	-42.9%
Domestic	129.2	134.9	-4.2%	81.5	228.5	129.2	-43.5%
Foreign	10.6	26.1	-59.5%	32.8	16.0	10.6	-34.1%
Redemptions/ principal repayments	116.2	136.2	-14.7%	94.7	228.0	116.2	-49.0%
Domestic	111.5	119.3	-6.5%	69.7	217.5	111.5	-48.7%
Foreign	4.7	16.9	-72.4%	25.0	10.5	4.7	-55.7%
Interest payments	23.5	24.8	-5.0%	19.6	16.5	23.5	42.4%
Domestic	17.6	15.6	13.3%	11.8	11.0	17.6	59.9%
Foreign	5.9	9.2	-35.9%	7.8	5.5	5.9	7.2%
Gross borrowing	231.9	243.8	-4.9%	160.7	271.7	231.9	-14.7%
Domestic	129.8	158.7	-18.2%	71.2	241.7	129.8	-46.3%
T-bills	105.2	101.7	3.4%	50.8	184.4	105.2	-43.0%
T-bonds	24.7	57.0	-56.7%	20.4	57.3	24.7	-57.0%
Foreign	102.1	85.1	19.9%	89.5	30.0	102.1	240.1%
Project	61.7	85.1	-27.5%	89.5	30.0	61.7	105.6%
Programme	40.4					40.4	
Foreign grants	86.6	125.5	-31.0%	86.7	162.6	86.6	-46.8%
Project	26.0	71.0	-63.3%	3.6	19.8	26.0	31.2%
Programme (PRBS)	47.9	41.3	16.0%	75.4	121.8	47.9	-60.7%
HIPC Multilateral Debt Relief	12.7	13.2	-4.1%	7.7	21.0	12.7	-39.7%
IDA	8.5			7.7	15.1	8.5	-43.8%
IMF					5.9		-100.0%
ADB/F	4.2					4.2	
<i>Memo:</i>							
Average period exchange rate (TZS/USD)	1,026.0	1,026.0		950.1	962.2	1,026.0	6.6%

1/ Disbursed public external debt and central government securities only.

2/ Nominal interest rate on outstanding government securities minus inflation.

3/ Nominal "effective" foreign currency interest rate on outstanding external debt + currency depreciation - domestic inflation.

4/ Weighted average of the domestic and external real interest rates: weight for domestic debt is based on "all" public domestic debt.

Source: Derived from constituent tables 2-5 (attached)

TABLE 2:

Domestic Debt Stock (TZS bn)	quarter ending	quarter ending	quarter ending	% Changes	
	Mar-2002	Dec-2002	Mar-2003	Mar-02 to Mar-03	Dec-02 to Mar-03
Total public domestic debt	1,323.6	1,413.7	1,465.7	10.7%	3.7%
Central government securities outstanding	786.7	823.5	823.1	4.6%	-0.1%
35-day T-bills	-	17.5	7.3		-58.1%
91-day T-bills	-	13.6	13.6		0.1%
182-day T-bills	57.2	105.4	119.0	108.1%	12.9%
364-day T-bills	112.7	131.6	130.8	16.1%	-0.6%
2-year T-bonds	140.3	126.2	116.6	-16.9%	-7.6%
5-year T-bonds	8.4	36.2	40.8		12.8%
7-year T-bonds	-	25.2	25.9		2.9%
10-year T-bonds	-	12.13	14.86		22.5%
Sp. bonds	240.3	230.2	227.8	-5.2%	-1.0%
Stocks	227.8	125.6	126.3	-44.6%	0.6%
Other public sector liabilities outstanding	536.9	590.2	642.6	19.7%	8.9%
BOT liquidity paper	198.3	244.9	297.5	50.0%	21.5%
Advances by commercial banks	0.7	0.8	0.6	-14.3%	-25.0%
Public corporation liabilities ^{7/}	230.8	230.8	230.8		0.0%
Other non-securitised contingent debts ^{7/}	107.1	113.7	113.7	6.2%	0.0%
Memo: Liquid deposits at BOT & banks	255.9	131.8	210.5	-17.8%	59.7%
Redemption profile of government securities	786.7	823.5	823.1	4.6%	-0.1%
1 year (remaining fiscal year)	78.7	344.2	106.9	35.8%	-68.9%
2	206.2	61.9	265.4	28.7%	328.8%
3-5	178.2	71.6	77.1	-56.7%	7.7%
6-10	119.4	237.8	258.9	116.8%	8.9%
10+	204.2	108.0	114.8	-43.8%	6.3%
Discounted duration (in years) ^{8/}		4.7	5.4		14.9%
Present value of public domestic debt ^{9/}		1,026.0	1,221.1		19.0%
Holder profile of government securities	783.0	823.5	823.1	5.1%	0.0%
BOT	295.9	200.9	201.7	-31.8%	0.4%
Commercial banks/ NBFIs	315.4	408.6	410.9	30.3%	0.6%
Institutional investors	168.2	206.9	204.0	21.3%	-1.4%
Individuals/ other entities	3.5	7.1	6.6	88.3%	-7.2%
Interest rate profile of government securities	786.8	823.5	823.1	4.6%	-0.1%
Fixed rate	573.5	714.0	714.3	24.6%	0.0%
Non-interest bearing	101.8	8.5	8.8	-91.3%	3.8%
Variable rate	111.5	101.0	99.9	-10.4%	-1.1%
Nominal interest rate on government securities ^{10/}	6.9%	6.9%	7.4%	7.4%	6.9%
35-day T-bills	-	3.0%	4.3%		42.0%
91-day T-bills	-	3.2%	5.3%		66.1%
182-day bills	3.8%	3.4%	5.1%	33.5%	47.6%
364-day bills	5.4%	4.4%	5.7%	4.9%	28.8%
2-year T-bonds	8.0%	5.8%	6.4%	-20.0%	10.3%
5-year T-bonds	6.6%	6.7%	6.6%	-	-1.5%
7-year T-bonds	-	7.8%	7.7%		-1.3%
10-year T-bonds	-	8.5%	8.3%		-2.4%
Special bonds	6.1%	6.8%	6.5%	6.6%	-4.4%
Stocks	8.5%	14.4%	14.3%	68.2%	-0.7%
Inflation rate (for year-ending)	4.7%	4.4%	4.2%	-10.6%	-4.5%
Real interest rate on government securities ^{11/}	2.2%	2.5%	3.2%	46.4%	27.0%
Yields obtained on most recent issuance					
Overnight interbank rate	2.5%	2.0%	5.8%	133.2%	191.5%
35-day T-bills	-	3.1%	5.8%		88.4%
91-day T-bills	4.0%	3.2%	6.9%	72.8%	115.9%
182-day T-bills	4.0%	3.6%	7.1%	77.5%	97.2%
364-day T-bills	4.7%	4.5%	7.5%	59.6%	66.7%
2-year T-bonds	4.2%	5.2%	5.0%	19.0%	-3.8%
5-year T-bonds	6.5%	5.6%	6.1%	-6.2%	8.9%
7-year T-bonds		6.9%	6.6%		-4.3%
10-year T-bonds		7.2%	7.6%		5.6%

^{7/} Figures are sourced from the National Debt Strategy 2002 document, and except for the debts recorded by ACGEN, will be reviewed following Cabinet approval (August 2002).

^{8/} Provides a measure of the average maturity of outstanding central government securities. A duration of between 4-5 years is considered internationally acceptable for domestic debt.

Anything shorter indicates front-loadedness and high market risk. The discount rate used for calculating duration is the nominal interest rate outstanding on government securities.

^{9/} Present value for central government securities is as per their actual future debt service profile. For 'other public sector liabilities', where the specific timing and magnitude of future payment not known, it has been assumed that the outstanding amount will mature in five equal instalments over the next 5 years. Discount rate used is the interest rate on O/S securities.

^{10/} Computed by weighting interest rates on individual instruments by the respective outstanding amounts for those instruments. The interest rate for each category of instruments is computed by taking the weighted average interest rates for all outstanding securities in that category. For marketable securities, such as T-bonds, the issuance YTM is taken as the relevant interest rate.

^{11/} Nominal interest rate on outstanding government securities minus inflation.

Raw data sources: BOT Research, Domestic Markets; ACGEN; PSRC; TR

TABLE 3:

	quarter ending	quarter ending	quarter ending	% Changes	
	Mar-2002	Dec-2002	Mar-2003	Mar-02 to Mar -03	Dec-02 to Mar-03
External Debt Stock (USD mn)					
National external debt stock by debtor 12/	7,103.1	7,314.1	7,077.4	-0.4%	-3.2%
Public external	6,597.1	6,751.3	6,488.4	-1.6%	-3.9%
Central government 13/	5,958.6	6,409.8	6,146.8	3.2%	-4.1%
Public corporations	638.5	341.5	341.6	-46.5%	0.0%
Private sector	506.0	562.8	589.0	16.4%	4.7%
Disbursed public external debt by sector 14/	5,943.8	6,011.9	5,739.5	-3.4%	-4.5%
BoP support	1,568.8	1,477.1	1,133.0	-27.8%	-23.3%
Infrastructure	952.4	970.4	1,338.8	40.6%	38.0%
Agriculture	832.2	871.4	887.7	6.7%	1.9%
Energy & Mining	742.2	763.2	756.5	1.9%	-0.9%
Industry	290.7	305.3	304.2	4.6%	-0.3%
Education	174.9	181.1	187.6	7.3%	3.6%
Insurance	67.0	65.1	61.2	-8.7%	-6.0%
Tourism	36.5	36.3	36.3	-0.6%	-0.1%
Others	1,279.2	1,342.0	1,034.3	-19.1%	-22.9%
Public external debt stock by kind	6,597.1	6,751.3	6,488.4	-1.6%	-3.9%
Disbursed outstanding debt (DOD)	5,943.8	6,011.9	5,739.6	-3.4%	-4.5%
Central government	5,791.5	5,857.8	5,588.1	-3.5%	-4.6%
Public corporations	152.3	154.1	151.5	-0.5%	-1.7%
Interest Arrears	653.3	739.4	748.8	14.6%	1.3%
Central government	167.1	552.0	558.7	234.4%	1.2%
Public corporations	486.2	187.4	190.1	-60.9%	1.4%
Public external debt stock by creditor	6,597.1	6,751.3	6,488.4	-1.6%	-3.9%
Multilaterals	3,587.3	3,746.6	3,891.9	8.5%	3.9%
Bilaterals	2,668.0	2,643.1	2,233.6	-16.3%	-15.5%
Commercial/ other	341.8	361.6	362.9	6.2%	0.4%
Currency profile of public external debt (DOD)	5,943.8	6,011.9	5,739.5	-3.4%	-4.5%
SDR (IMF, WB etc: special drawing rights)	2,565.08	2,857.9	2,946.0	14.8%	3.1%
USD (U.S.: dollar)	1,898.79	1,802.7	1,414.7	-25.5%	-21.5%
JPY (Japan: yen)	779.50	862.8	852.0	9.3%	-1.3%
GBP (UK: sterling)	145.98	98.5	35.1	-76.0%	-64.4%
EUR (EU: euro)	50.43	61.8	42.1	-16.5%	-31.9%
RMB (China: yuan)	140.32	136.9	141.7	1.0%	3.5%
Others	363.7	191.3	308.0	-15.3%	61.0%
Discounted duration (in years) 16/	11.0	11.0	13.6	-0.3%	23.5%
Present value (PV) of public external debt	3,712.9	3,614.5	4,721.7	-2.7%	30.6%
Exports of goods & non-factor services (XGNFS) 17/	1,465.5	1,496.7	1,941.3	2.1%	29.7%
End-period exchange rate (TZS/USD)	981.3	976.3	1,030.2	-0.5%	5.5%
Public external debt (TZS bn)	6,473.7	6,591.3	6,684.0	1.8%	1.4%
Central government	5,847.2	6,257.9	6,332.1	7.0%	1.2%
Public corporation debt	626.6	333.4	351.9	-46.8%	5.5%
Total national external debt/ XGNFS	485%	489%	365%	-120.1%	-124.1%
PV of external debt to exports ratio	253%	241%	243%	-10.1%	1.7%
Effective interest rate on public external debt B16018/	0.75%	0.21%	0.16%	-0.6%	-0.1%
Exchange rate depreciation (for year-ending)	14.1%	10.0%	10.0%	-4.1%	
Inflation rate (for year-ending)	4.7%	4.4%	4.2%	-0.5%	-0.2%
Real interest rate on external debt	10.1%	5.8%	6.0%	-4.2%	0.1%

12/ External debt stock is defined as the sum of interest arrears and disbursed outstanding debt. 13/ Also includes private sector external debts guaranteed by the central gov
14/ Disbursed outstanding debt (DOD) only. 15/ Based on the redemption profile of DOD on commitment basis.

16/ Discounted duration is a measure of the average maturity of outstanding debt. A duration of between 4-5 years is considered acceptable, by international standards, for dor
For external debt, comparable benchmarks are not available, however, given Tanzania's large structural current account deficit and the associated exchange rate risks, the Nati
Strategy suggests 10 years as an appropriate floor for external debt duration over the medium-term.

17/ Figures are for year-ending (BOT International Economics). 18/ Calculated by dividing the annualised period interest payments by the outstanding DOD at the start of the

Raw data source: CS-DRMS reports

TABLE 4:

	<i>actual</i>	<i>budget estimates</i>	<i>actual/budget</i>	<i>quarter ending</i>	<i>quarter ending</i>	<i>quarter ending</i>	<i>Mar-02 to Mar-03</i>	<i>Dec-02 to Mar-03</i>
Domestic Debt Flows (TZS bn)	Mar-2003	Mar-2003	Mar-2003	Mar-2002	Dec-2002	Mar-2003	% change	% change
Borrowing (face value)	124.7	158.7	-21.4%	72.5	243.1	124.7	72.1%	-48.7%
35-day T-bills	12.1	18.1	-33.1%	-	59.5	12.1	-79.7%	-79.7%
91-day T-bills	12.7	13.0	-2.4%	-	13.6	12.7	-6.8%	-6.8%
182 day T-bills	56.4	42.8	31.7%	27.0	60.4	56.4	108.8%	-6.6%
364 day T-bills	27.1	27.8	-2.7%	25.4	54.6	27.1	6.5%	-50.5%
2-year T-bonds	8.4	13.0	-35.4%	11.7	12.9	8.4	-28.2%	-34.9%
5-year T-bonds	4.7	14.0	-66.8%	8.4	15.0	4.7	-44.6%	-69.0%
7-year T-bonds	0.7	15.0	-95.1%	-	15.0	0.7	-95.1%	-95.1%
10-year T-bonds	2.7	15.0	-81.8%	-	12.1	2.7	-77.5%	-77.5%
Borrowing (cost value) 19/	129.8	162.1	-19.9%	71.2	241.7	129.8	82.4%	-46.3%
35-day T-bills	12.0	12.0	0.4%	-	59.3	12.0	-79.7%	-79.7%
91-day T-bills	12.5	12.5	0.1%	-	13.5	12.5	-6.7%	-6.7%
182 day T-bills	55.0	55.0	0.0%	26.5	59.3	55.0	107.5%	-7.2%
364 day T-bills	25.6	25.6	0.1%	24.3	52.3	25.6	5.4%	-51.0%
2-year T-bonds	16.5	13.0	27.2%	11.7	13.0	16.5	41.4%	26.8%
5-year T-bonds	4.7	14.0	-66.6%	8.7	15.8	4.7	-46.2%	-70.4%
7-year T-bonds	0.7	15.0	-95.1%	-	15.7	0.7	-95.3%	-95.3%
10-year T-bonds	2.7	15.0	-81.9%	-	12.7	2.7	-77.5%	-77.5%
Principal repayments	111.5	119.3	-6.5%	69.7	217.5	111.5	60.0%	-48.7%
35-day T-bills	8.9	18.1	-50.5%	-	65.4	8.9	-86.3%	-86.3%
91-day T-bills	12.9	13.0	-0.8%	-	12.9	12.9	-0.8%	-0.8%
182 day T-bills 20/	42.1	42.8	-1.7%	28.1	28.7	42.1	49.9%	46.6%
364 day T-bills 20/	26.6	27.8	-4.4%	30.0	23.3	26.6	-11.4%	14.1%
2-year T-bonds	18.0	13.0	38.5%	11.6	17.1	18.0	55.2%	5.3%
5-year T-bonds	-	-	-	-	-	-	-	-
7-year T-bonds	-	-	-	-	-	-	-	-
10-year T-bonds	-	-	-	-	-	-	-	-
Stocks	-	2.2	-	-	83.0	-	-	-100.0%
Special Bonds	2.4	2.4	-1.1%	-	-	2.4	-	-
Other Non Securitised Debts 21/	0.6	0.0	1302.2%	-	-	0.6	-	-
Interest Payments	17.6	15.6	13.3%	11.8	11.0	17.6	49.4%	59.9%
35-day T-bills	0.1	-	-	-	0.1	0.1	-	-
91-day T-bills	0.1	0.1	26.7%	-	-	0.1	-	-
182 day T-bills	0.7	0.6	27.7%	0.6	0.6	0.7	21.7%	20.5%
364 day T-bills	1.2	1.5	-16.5%	1.6	1.1	1.2	-22.0%	10.5%
2-year T-bonds	2.6	2.1	28.5%	2.9	1.7	2.6	-9.0%	52.6%
5-year T-bonds	0.9	1.1	-12.4%	-	0.3	0.9	-	-
7-year T-bonds	1.0	-	-	-	-	1.0	-	-
10-year T-bonds	-	-	-	-	-	-	-	-
Stocks	4.7	4.5	5.6%	4.3	4.4	4.7	9.9%	7.3%
Special Bonds	5.5	5.1	9.5%	2.4	2.7	5.5	131.2%	103.9%
Other Non Securitised Debts 21/	0.6	0.8	-16.5%	-	-	0.6	-	-
							<i>absolute change</i>	
Borrowing Interest Rate 22/	5.3%	5.9%	-9.6%	4.8%	4.3%	5.3%	0.5%	1.1%
35-day T-bills	4.3%	5.2%	-18.1%	-	3.1%	4.3%	4.3%	1.2%
91-day T-bills	5.3%	5.3%	0.3%	-	3.2%	5.3%	5.3%	2.1%
182 day T-bills	5.1%	4.9%	3.5%	4.0%	3.6%	5.1%	1.1%	1.4%
364 day T-bills	5.7%	5.2%	9.4%	4.6%	4.5%	5.7%	1.1%	1.2%
2-year T-bonds	6.4%	5.5%	16.4%	5.8%	5.2%	6.4%	0.6%	1.2%
5-year T-bonds	6.1%	7.5%	-18.7%	6.6%	5.6%	6.1%	-0.5%	0.5%
7-year T-bonds	6.6%	7.8%	-14.8%	-	6.9%	6.6%	6.6%	-0.3%
10-year T-bonds	7.5%	8.5%	-11.8%	-	7.2%	7.5%	7.5%	0.3%

19/ Since T-bills are issued at discount and T-bonds are issued at market prices, the cost/cash value of borrowing can differ from the face value. While the latter is needed for debt stock reporting, the former is important for cash-flow reporting.

20/ The principal payments for T-bills which are discount instruments, is simply their cost-value. Adding interest to this cost-value gives the face value paid. Thus, the face value of T-bills = cost value (i.e. principal) + discount (i.e. interest), as evinced by the given figures.

21/ Payments are only included for non-securitised items presently recorded in ACGEN's Monthly Domestic Debt Report.

22/ Computed by weighting the borrowing interest rates for each instruments by the respective amounts borrowed from those instruments. The interest rate for each instrument category was computed by taking a weighted average of all interest rates on securities issued in that instrument over the given period. For marketable securities, such as T-bonds, the issuance yield to maturity was taken as the relevant borrowing interest rate.

TABLE 5:

	<i>actual</i>	<i>budget estimates</i>	<i>actual/budget</i>	<i>quarter ending</i>	<i>quarter ending</i>	<i>quarter ending</i>	<i>Mar -02 to Mar 03</i>	<i>Dec -02 to Mar- 03</i>
External Debt Flows (USD mn)	Mar-2003	Mar-2003	Mar-2003	Mar-2002	Dec-2002	Mar-2003	% change	% change
Total Debt Service (Actual) 22/	10.29	25.42	-59.5%	34.55	16.64	10.29	-70.2%	-38.2%
Principal repayments	4.54	16.44	-72.4%	26.35	10.92	4.54	-82.8%	-58.4%
Multilaterals	3.42	11.16	-69.4%	18.09	4.88	3.42	-81.1%	-29.9%
IMF (net of HIPC)								
IDA (net of HIPC)	1.61	2.90	-44.5%	13.00	2.70	1.61	-87.6%	-40.4%
Others	1.81	8.26	-78.1%	5.09	2.18	1.81	-64.4%	-17.0%
Bilaterals	1.12	5.26	-78.7%	6.46	5.74	1.12	-82.6%	-80.5%
Paris Club	0.60	1.43	-58.1%	0.56	3.14	0.60	6.4%	-80.9%
Non-Paris Club	0.52	3.83	-86.4%	5.89	2.60	0.52	-91.2%	-80.0%
Other/ Commercial		0.02		1.81	0.30		-100.0%	-100.0%
Interest payments	5.75	8.98	-35.9%	8.19	5.72	5.75	-29.8%	0.5%
Multilaterals	4.83	4.53	6.7%	6.76	4.89	4.83	-28.5%	-1.2%
IMF (net of HIPC)								
IDA (net of HIPC)	2.31	1.36	69.5%	2.49	4.25	2.31	-7.1%	-45.6%
Others	2.52	3.16	-20.3%	4.27	0.64	2.52	-41.0%	293.8%
Bilaterals	0.92	4.45	-79.3%	1.44	0.83	0.92	-36.0%	10.8%
Paris Club	0.81	1.29	-37.2%	0.12	0.72	0.81	558.5%	12.5%
Non-Paris Club	0.11	3.16	-96.5%	1.31	0.11	0.11	-91.6%	0.0%
Other/ Commercial								
Borrowing 23/	100.51	82.98	21.1%	94.22	31.19	100.51	6.7%	222.3%
Project	60.14	82.98	-27.5%	94.22	31.19	60.14	-36.2%	92.8%
IDA	54.47			69.32	20.82	54.47	-21.4%	161.6%
BADEA					0.05			-100.0%
ADF				0.04	4.22		-100.0%	-100.0%
IFAD (& UNOPS)	1.68			19.07	1.62	1.68	-91.2%	3.7%
ADB/F	2.18			2.60	1.84	2.18	-16.3%	18.5%
GEF								
KFAED					0.22			-100.0%
NDF	0.31			0.57	0.62	0.31	-45.9%	-50.0%
AFD				0.78	0.67		-100.0%	-100.0%
NTF				0.34				
OPEC	0.78			0.98	1.11	0.78	-20.5%	-29.7%
Saudi Fund				0.02	0.02		-100.0%	-100.0%
France								
KUWAIT	0.71			0.11		0.71	537.9%	
IMF								
CRDB Basket Fund Loan	0.01			0.37		0.01	-97.3%	
Programme	40.37					40.37		
IMF								
IDA	40.37					40.37		
ADB/F								
Grants	84.40	122.29	-31.0%	91.22	169.04	84.40	-7.5%	-50.1%
Project 23/	25.38	69.18	-63.3%	3.82	20.63	25.38	564.4%	23.0%
Programme 23/	46.67	40.24	16.0%	79.34	126.57	46.67	-41.2%	-63.1%
HIPC Multilateral Debt Relief 24/	12.35	12.88	-4.1%	8.05	21.84	12.35	53.3%	-43.5%
IDA	8.30			8.05	15.74	8.30	3.0%	-47.3%
IMF					6.10			-100.0%
ADB/F	4.05					4.05		
<i>Memo:</i>								
Average period exchange rate (TZS/USD)	1026.00	1026.00		950.12	962.19	1026.00	8.0%	6.6%

22/ Debt service figures are taken from BOT (Debt); are net-of-HIPC (for IMF and IDA payments), and are as per externalisation.

23/ Borrowing and grant figures are sourced from ACGEN. The TZS equivalent amounts of all FCY inflows are taken and converted back into USD using the average period exchange rates. Estimates for FY 2001/02 are as per Budget.

24/ HIPC relief for IDA is sourced from ACGEN, whereas for IMF, the relief is based on BOT data on IMF principal repayments (as recorded in the CGO table). ADB/F relief is as per their relief delivery schedule.

TABLE 6: STATUS OF PARIS CLUB VII AS AT END MARCH 2003

S/n	Creditor Country	Date first contacted	Date of reminder letter	Response /Status
1	Austria	22 February 2002	N/A	Agreement concluded on 24 June 2002. Cancelled Euro 29.9 mn
2	Japan	22 February 2002	6 February 2003	Negotiations on PC VI and PC VII ongoing. From April 2003 will adopt a new approach in offering relief to HIPCs.
3	Belgium	22 February 2002	N/A	Agreement on state to state loans concluded on 22 November 2002. Cancelled Euro 21.25mn. Agreement with Ducloire concluded on 29 November 2002. Cancelled Euro 11.0 Mn.
4	Netherlands	22 February 2002	N/A	Agreement with NCM concluded on 17 March 2003. Cancelled 100% of debt.
5	France	22 February 2002	N/A	Agreement with COFACE and Banque de France concluded in February 2003. cancelled 100% of pre cutoff debt.
6	Russia	22 February 2002	6 February 2003	Yet to conclude PC VII
7	Germany	22 February 2002	N/A	Bilateral Agreement to be concluded on 28 April 2003. Will cancel Euro 52.2mn.
8	Canada	22 February 2002	N/A	Agreement concluded on 16 October 2002. Cancelled Canadian Dollar 83.6 mn
9	United Kingdom	22 February 2002	N/A	Cancelled USD 129.0 mn of the debt through letter ¹ .
10	Norway	22 February 2002	N/A	Agreement concluded 5 December 2002. Cancelled Norwegian Kronor 55.0 mn
11	Italy	22 February 2002	N/A	Agreement concluded on 18 October 2002. Cancelled USD 132.0 mn
12	USA	22 February 2002	N/A	Agreement concluded on 4 July 2002. Cancelled 21.0 USD mn
13	Brazil	22 February 2002	6 February 2003	Waiting for final version of bilateral agreement for PC VI. Silent on PC VII.

Source: Policy Analysis Department (MoF) and Bank of Tanzania

¹ Subject to confirmation by the British Authorities

**TABLE 7: STATUS OF RELIEF NEGOTIATIONS WITH NON-PARIS CLUB CREDITORS
AS AT END MARCH 2003**

S/n	Creditor Country	Disbursed Outstanding Debt (USD mn)	Interest arrears (USD mn)	Debt stock (USD mn)	Current status
1	Angola	3.406	2.003	5.409	Wants to be paid/supply of cotton.
2	Algeria	58.029	53.478	111.507	Not willing for PC terms.
3	Bulgaria	23.220	6.553	29.773	Demands payments, sale of debt to third parties and swaps.
4	China	134.873	0.005	134.878	Willing to reschedule due payments but not on PC terms.- cancelled interest amounting to 37 USD mn
5	Slovak and Czeck	1.836	0.256	2.092	Demand payments and sell of debt to third parties.
6	Egypt	1.969	0.000	1.969	Has offered relief/ cancelled some interest arrears
7	Hungary	8.869	2.831	11.700	Silent.
8	India	13.252	20.984	34.236	Wants commercial debt settlement as per 5th Indo-Tanzania Joint Commission Agreed Minute of May 2001². They have offered debt relief and instrument for its execution is being worked out
9	Iran	63.828	98.117	161.945	Demands adherence of debt settlement along the MOU of 1994.
10	Iraq	38.711	98.216	136.927	Not willing to accept the PC terms but ready to write off sizeable amount of debt if payment of USD 5 million can be made on an upfront basis.
11	Korea DPR	1.916	0.000	1.916	Wants payments.
12	Kuwait	58.460	4.540	63.000	Signed agreement to effect debt relief under HIPC framework
13	Libya	42.205	73.971	116.176	Willing to offer debt relief but not on the PC terms subject to renegotiation and wants swaps arrangement for the remaining debt.
14	Romania	0.105	0.012	0.117	Silent.
15	Saudi Arabia	9.689	0.216	9.905	Wants to be paid.
16	United Arab Emirates	6.152	6.229	12.381	Wants to be paid.
17	Zambia	0.788	0.094	0.882	Willing to offer relief under the HIPC framework.
18	Zimbabwe	0.011	0.023	0.034	Has accepted debt -asset swap with a house but unable to get one
	GRAND TOTAL	467.319	367.527	834.846	

Source: Policy Analysis Department (MoF) and Bank of Tanzania